

SBT LOSS ADJUSTMENT WORKSHEET for the Small Business Credit

Issued under P.A. 257 of 1990.

Use this worksheet to qualify for an otherwise disallowed small business credit or alternate tax by adjusting your current year adjusted business income. This is available only if you had a negative adjusted business income in any of the five tax years immediately preceding this tax year and you received a small business credit in the loss year.

PART 1: Current Year Amounts

Use this section to determine the amount of loss adjustment to the business income you need to qualify for the small business credit.

Business Income Disqualifier is \$475,000

1. Adjusted Business Income (C-8000C, line 9) \$ _____ .00
2. Less the disqualifier 475,000.00
3. Loss adjustment. Subtract line 2 from line 1 \$ _____ .00

Shareholder Compensation Disqualifier is \$95,000

4. Enter the amount from C-8000C, line 6 \$ _____ .00
5. Disqualifier 95,000.00
6. Enter compensation & director fees from
C-8000KC, col. K of the shareholder creating
the disqualifier \$ _____ .00
7. Subtract line 6 from line 5 \$ _____ .00
8. Divide line 7 by the percent of ownership (____%)
from C-8000KC, col. G for the shareholder on line 6 \$ _____ .00
9. Loss adjustment. Subtract line 8 from line 4 \$ _____ .00

PART 2: Available Loss

Use this section to determine the loss available from the five preceding years.

	1992	1993	1994	1995	1996
10. Did you receive a small business credit? Complete only those columns in which you enter "Y."					
11. Enter adjusted business income as re- ported on C-8000C, line 9 for each tax year that reported a loss.					
12. Amount of loss entered on line 11 used as an adjustment in a prior year.					
13. Loss available for current return. Subtract line 12 from line 11.					
14. Enter the amount from line 3 or 9, whichever is larger.					
15. Loss available for future returns. Subtract line 14 from line 13.					

Attach this worksheet to your return. Keep a copy for your reference.

INSTRUCTIONS FOR LOSS ADJUSTMENT WORKSHEET

Purpose: To adjust your adjusted business income to qualify for the small business credit. This does not affect the calculation of the credit itself.

If your adjusted business income was less than zero in any of the five years immediately preceding the tax year for which you are claiming a credit, and you received a small business credit for that same year, you may adjust for the loss before you figure your eligibility for the small business credit. A loss adjustment will not help you if your gross receipts exceed \$10 million or if a shareholder or officer of a C corporation has compensation alone that exceeds \$95,000.

Part 1: Current Year Amounts

Use this part to determine the amount of loss adjustment necessary to qualify for the small business credit.

If you are not eligible for the credit because your adjusted business income exceeds \$475,000, complete lines 1 through 3.

If you are not eligible because you have a shareholder whose allocated income exceeds \$95,000 or a partner with distributive income that exceeds \$95,000, complete lines 4 through 9 for the shareholder or partner creating the disqualifier.

You may have to calculate both if you have more than one disqualifier. Complete lines 4 through 9 for *each* shareholder or partner who creates a disqualifier. The loss adjustment required is the amount needed to eliminate all disqualifiers.

This worksheet is structured for corporations. To use it for a partnership or individual, make these changes.

Individuals. In Part 1, replace the disqualifier amount on line 2 with \$95,000.

Partnerships. Enter on line 6 any guaranteed payments made to the partner creating a \$95,000 disqualifier. On line 8, divide by the percentage of ownership from the C-8000KP, col. D.

Controlled Groups. A member of a controlled group may use this form for the shareholder compensation disqualifier (lines 4 through 9). But the business income disqualifier must be calculated on a consolidated basis. Substitute consolidated figures for lines 1- 3 and lines 10 - 15.

Part 2: Available Loss

Use this section to determine the loss available from the five preceding years.

Line 10. Enter 'Y' under each year that a small business credit was received.

Line 11. Enter the adjusted business income from C-8000C, line 9 for each tax year that reported a loss. Report the loss in brackets.

Lines 12 - 15. Continue to fill out each year's column only if you entered a Y on line 10 *and* the adjusted business income reported on line 11 was a loss.

Keep a copy of this worksheet for your records.